

What It Means

Intergovernmental Conference Shapes New Europe BY LIONEL BARBER

WITH SOME TREPIDATION, Europe is about to launch fresh negotiations on its constitutional future.

These negotiations—known as an intergovernmental conference (IGC)—will open on March 29 in the northern Italian city of Turin, home of Fiat, the giant auto maker. They are likely to last at least a year. And while the IGC will not be as momentous as the Philadelphia convention in 1787 that created the United States of America, it will be big enough.

The task is comparable to the one that the six founding members addressed when they laid the groundwork for the 1957 Treaty of Rome. The 15-member Union must reform its institutional machinery to cope with enlargement to the former communist countries of Central and Eastern Europe, without damaging the interests and rights of the organization.

The EU must also strengthen support for cooperation and integration among its 370 million inhabitants. At all costs, European governments need to avoid the mistakes of the 1991 Maastricht Treaty when the political classes found themselves out of step with public opinion and Danish voters almost wrecked the project with a “no” vote in the June 1992 referendum.

Marseille, which has the largest port in France and on the Mediterranean, is becoming a pole of attraction for foreign investors who want to establish a southern European distribution center. The whole area, with its stunning scenery and abundant sunshine, is so conducive to pleasure that it has sometimes been hard to sell it as also being suitable for business. But it is now becoming known in specific sectors, such as aeronautics, microelectronics, medical technology, and robotics, and has drawn a total of 30 US companies, which include pharmaceuticals manufacturer Genta, International Paper, Dole Foods, and Air Products. Last year it pulled off the biggest American investment deal for the whole of France: Atmel Corporation, a California manufacturer of complex integrated circuits, decided to set up its first overseas wafer fabrication plant in Provence.

These regions are some of the prominent players in the field of foreign investment in France, but they are not the whole team. In the southwest, Bordeaux, strategically placed between the north and south of Europe, with easy access to Spain and Portugal, has become a base for such US companies as Ford. In the northwest, Normandy has become a beachhead for a friendly American invasion of 100 companies, among them Exxon, Johnson & Johnson, and Goodyear.

For all of these regions, and the other areas of France that now beckon to foreign investors, a network of public and private organizations has been put in place to help international companies decide if and when and where and how they would like to establish a French base. Created by DATAR, the economic development and regional planning agency of the French government, the Invest in France Network includes 17 agencies around the world (the Invest in France Agencies), which assist investors in everything from site location to regulatory procedures and financial incentives. In the US, seven Invest in France offices work to make sure that American companies continue to head the list of foreigners who find France's attractions irresistible. ☐

Ester Laushway is EUROPE's Paris correspondent.

ATMEL CORPORATION

The biggest American fish netted in all of France last year was Atmel Corporation, a semiconductor manufacturer founded in 1984 and based in San José, California. Atmel was looking for a European site for its first overseas wafer fabrication plant, but the company did not want to invest in a completely new location, which would have meant not just building a factory but also finding or transferring qualified personnel to work in it.

Last April, in the industrial zone of Rousset, near Aix-en-Provence, it found what it was looking for—European Silicon Structures (ES2), a Luxembourg-based producer of application-specific integrated circuits (ASIC), which needed outside investment to strengthen its capital base and product development.

Atmel decided to take the plunge. ES2's trained work force of 225, its existing facilities, which included some technology that Atmel did not yet have, plus some enticing financial incentives from French government agencies were just too good to pass up. It announced that it was buying a majority interest in ES2 and that it would expand the existing operations as well as build a new wafer fabrication plant—a project which represents a half billion dollar investment and will create 500 new jobs over the next three years.

FAB6, the catchy new name for the converted ES2 plant, is now practically complete. The clean rooms, sterile chambers in which the silicon wafers are produced, have been enlarged, and a new assembly and test hall built. Production is shifting into higher gear; from 350 wafers per week last October, the expanded factory is gradually climbing toward a weekly capacity of 2,000 wafers.

Construction for the new 150,000 square-foot plant FAB7 is well underway, and it should be up and running by the end of this year. When fully operational, it will manufacture 6,000 8-inch wafers per week.

The arrival of Atmel in Rousset has increased the attractiveness of this industrial zone for other companies in the microelectronics sector. Just five months after the American project was announced, the French-Italian electronics giant SGS Thomson, already firmly established at Rousset, decided to build a second wafer plant costing \$800 million and creating 800 new jobs. Rousset now represents nearly 25 percent of wafer production in France and is starting to merit the label under which it would like to be known—as the Silicon Valley of Provence.

To show just how committed it feels to its new location, Atmel has planted a Californian sequoia at the entrance to its Rousset site. The tree symbolizes the deep roots that the American company is sinking into French soil and the long-term growth it is expecting under the sunny skies of Provence.

For more information on the Marseille-Provence region contact the US office of Promotion 13, the regional economic development agency, tel. (215) 851-1472, fax (215) 851-1420.

—Ester Laushway

At issue in the 1996 IGC are two competing visions of Europe. One is German and is embodied by Chancellor Kohl, Europe's senior statesman. The other is British and is most readily identified with the ruling UK Conservative party led by John Major.

Chancellor Kohl's campaign for greater integration is driven by fears of an unfettered Germany drifting dangerously at the center of the continent. The Bonn government is also pressing its EU partners to make a further down payment in sovereignty to compensate for the planned surrender of the D-mark for a future single currency in 1999, though the terms of this German-backed political union remain vague.

Mr. Major's vision of Europe rests on more flexible forms of integration in which nation states select areas of cooperation while resisting further transfers of sovereignty to Brussels. The British are not alone in voicing skepticism and can count on support from independent-minded Scandinavians, as well as tactical alliances with the Greeks, the Spanish, and other Mediterranean countries.

The key question is whether France will tilt toward the more coercive German approach, recognizing that it must pay a political price for monetary union, or whether it will repeat the experience of Maastricht and side with the sovereignty-conscious British. So far President Chirac has sent mixed signals, insisting on the primacy of the Franco-German alliance while moving toward a more triangular diplomacy between Bonn, London, and Paris.

The following is a working guide on the IGC, the issues likely to dominate, and possible compromises.

Majority Voting and the National Veto.

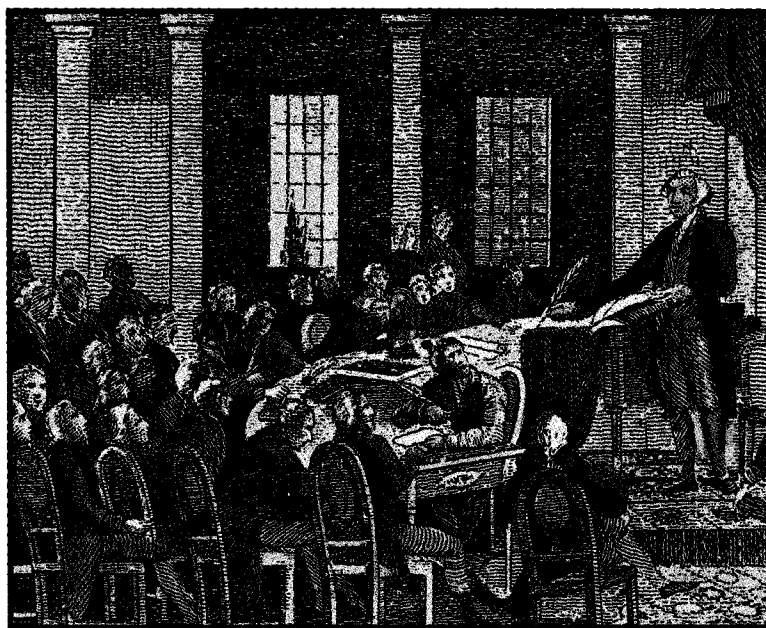
The national veto may be exercised as a solo effort or through a so-called blocking minority of countries. The UK government has served notice that it will oppose all extensions of majority voting and will resist efforts to dilute veto pow-

ers. British intransigence on this point could paralyze the IGC, forcing a delay until after the next UK general election, which must take place in May 1997. The unknown question is whether Tony Blair, the present Labor opposition leader, would be more flexible.

A linked question is how to redistribute voting weights in favor of countries with large populations, such as the UK, France, Germany, Italy, and Spain. This would strengthen the bigger countries' ability to block decisions; but smaller countries such as Belgium, Luxembourg, and the Netherlands are

some countries are wary of creating a rival power-center to national capitals or backing a measure that would undercut the authority of the Commission.

Another idea is to form "team presidencies" to run longer than the present six monthly presidencies between member states. The idea is to offer more continuity to EU external relations. The European Commission, the leading agency on trade, is trying to build a profile in external political relations and is fighting hard to protect its institutional authority.



George Washington presiding over the 1787 Constitutional Convention held in Philadelphia.

insisting that a shift in voting weights must be accompanied by more majority voting. They are also pressing their right to retain an EU commissioner in Brussels even though the present team of 20 is large by historical standards.

The Common Security and Foreign Policy.

The Maastricht Treaty laid the groundwork for tighter cooperation on foreign policy known as CSFP. Member states and the European Commission agree that more needs to be done to make the CSFP more effective, credible, and visible. But they are divided on how best to advance, other than agreeing that more majority voting is not the answer.

France is pushing the idea of creating a new foreign policy post to give the EU a public face on the lines of the president of the European Commission, but

Justice and Home Affairs.

The consensus is that the EU needs to overhaul its decision-making in internal security matters. Maastricht produced an agreement for loose intergovernmental cooperation and a reliance on treaty-based conventions. But countries such as Germany, which is in the front-line of efforts to tackle organized crime from Eastern Europe, argue that the system is cumbersome, slow-moving, and should adopt more majority voting with an oversight role for the European Court of Justice and European Parliament.

The UK is dragging its feet. One likely compromise is that specific subjects such as visa policy might be shifted to the EU, while sensitive matters such as police cooperation should remain under tight control of national governments.

The Democratic Deficit. If there is more majority voting in the decision-taking Council of Ministers, some national governments argue that there needs to be a democratic counterweight in Brussels. The European Parliament is the natural choice, despite some dissatisfaction with its performance. The broader point is that decision-making in the EU is mind-numbingly complex; more than 20 procedures exist, leaving ample scope for streamlining.

The Parliament, with some support in the member states, argues that these could be rationalized to three categories in EU legislation—extending the “co-decision” procedure with the Council for all normal legislation where the Council decides by majority; giving the Parliament the power of assent, where the Council decides by unanimity; and reserving consultation mainly to areas of foreign affairs and intergovernmental cooperation.

None of these questions is likely to be resolved easily. But without an agreement, there is no prospect of the EU moving forward to the historic task of enlargement to the former communist countries of Central and Eastern Europe. At the same time, the IGC’s results will face a further obstacle in the member states since they will require ratification in national parliaments or in referendums.

Up to one-half of EU countries are

likely to hold referenda, including Denmark, Finland, and Sweden, the independent-minded Scandinavian countries. These referenda introduce an element of unpredictability EU leaders would be well-advised to consider as they embark on the constitutional discussions of the next 12 months. ☐

Lionel Barber is a contributing editor for EUROPE and the Brussels bureau chief for the Financial Times.

SIX PLAYERS TO WATCH IN THE IGC

GERMAN CHANCELLOR HELMUT KOHL

Kohl united West and East Germany in 1990; now he wants to unite Europe in 1996. He believes that the IGC offers an historic opportunity to anchor Germany in a democratic Europe, assuring stability and prosperity for the next generation. But however much he may yearn for another “Great Leap Forward,” Kohl knows he faces a more skeptical mood among the European public. He may therefore have to content himself with visible though limited institutional reform that will be enough to allow Eastern enlargement to go ahead on schedule around the turn of the century. Kohl’s watchword for the IGC is “movement”—enough progress to keep integration going rather than a step backward which could endanger the whole project.

FRENCH PRESIDENT JACQUES CHIRAC

The French leader has kept everyone guessing about his government’s intentions in the IGC, partly because the ruling Gaullist coalition in France is divided on the issue. Mr. Chirac must balance the pro-European beliefs of his prime minister, Alain Juppé, with the euroskeptical instincts of Philippe Seguin, the president of the National Assembly. France’s priority is to maintain its political standing in the Union, particularly in the area of foreign affairs. Watch out for French initiatives on defense. The experience of cooperation with the UK in Bosnia, the primacy of the NATO alliance, and the aggressive neutrality of EU newcomers such as Sweden have forced Mr. Chirac to be more realistic about the prospects of a common European defense even if the goal remains.

EUROPEAN COMMISSION PRESIDENT

JACQUES SANTER

The Commission president is biding his time on the IGC. He is wary of asking for too much, too soon. Jacques Delors, his Brussels predecessor, lost out in the Maastricht Treaty negotiations by peaking too soon. Santer wants to strengthen the legitimacy of decision-making in the EU, most likely via limited new powers for the European Parliament. His greatest concern is to defend the authority of the Commission against marauding powers, such as the UK, which are determined to cut the Brussels-based executive down to size. Santer also shares German demands for more effective decision-making in justice and home affairs.

UK PRIME MINISTER JOHN MAJOR

The British leader is boxed in by his euroskeptical minority and has little negotiating room in the IGC. His priority is survival at home rather than victory abroad—a far cry from Maastricht when he declared “Game, Set, and Match” to the UK. Major’s game plan will be to construct tactical alliances with individual countries to buy time and block faster integration. Watch out for heavy courting of the Dutch on budget reform, the Spanish and Scandinavians on opposition to more majority voting, and the French on common foreign and security policy initiatives. If Major’s domestic difficulties paralyze the IGC, much will depend on the outcome of the UK general election likely to be held next year. All eyes are on a future prime minister Tony Blair and the self-styled new Labor Party. Insiders say that Labor is not nearly as immune to euroskepticism as is popularly thought.

BELGIAN PRIME MINISTER

JEAN-LUC DEHAENE

Do not underestimate Dehaene. The Belgian prime minister has grown in stature ever since he came within a whisker of succeeding Jacques Delors as president of the European Commission in 1994. Known as the “Carthorse” or the “Bulldozer” at home, he is moving mountains to get his country in shape for the monetary union in 1999. In Europe, he has rapidly assumed leadership of the Benelux countries and is working hard to produce a common, pro-integrationist approach at the IGC. The Santer Commission plans to use Dehaene as a surrogate for its own ideas on political integration, calculating that there is strength in numbers when dealing with the bigger powers. Dehaene, who is close to Chancellor Kohl, is determined to secure maximum progress at the IGC. The implicit threat is that failure to streamline decision making could hold up enlargement to the East.

FINNISH PRIME MINISTER PAAVO LIPPONEN

A bright young(ish) newcomer on the European stage, Lipponen has already impressed his colleagues with his grasp of foreign policy issues. A Social Democrat, Lipponen has maintained Finland’s drive for budgetary discipline in order to stay in line for monetary union and is determined to make sure his country’s voice is heard in the IGC. With one eye on political instability in neighboring Russia, his interest is to bind Finland more securely into Western Europe without, however, compromising the country’s non-aligned stance. Finland is ready to offer peace-keeping troops as part of its contribution to a beefed up common and security policy but is not prepared to join combat missions or seek security guarantees—yet.

—Lionel Barber